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Directors not getting independent assurance on risks

While risk management and assurance might be high on the corporate radar following the global financial crisis (GFC), there is a disturbing lack of independent assurance that an organisation's risk management frameworks and processes are adequate, a new survey has found.

According to a member survey by Chartered Secretaries Australia (CSA), while 72 per cent of organisations surveyed had undertaken a review of their risk management and assurance functions, only 22 per cent used external advisers to undertake the review.

"Directors are held accountable for the sound stewardship of their organisations and it is in their own best interests to have independent assurance that potential risks to the organisation are identified, adequately addressed and monitored," says CSA's chief executive Mr Tim Sheehy.

"Nor should senior managers see this as a lack of trust or confidence in their performance. Far from it. They too should welcome an independent review of risk management assurance processes by an experienced fresh set of eyes as it could add another layer of protection for the organisation."

Interestingly, of the 72 per cent of organisations that had undertaken a review of their risk management and assurance functions, only 37 per cent reported that there had been significant changes to how the organisation managed and reported on its risk management and assurance processes.

Indeed, 86 per cent reported that they believed that the board will be able to report to investors under Principle 7 of the ASX Corporate Governance Council's guidelines that the company has an effective risk framework in place to manage material business risks. This is despite that fact that only one-third reported making significant changes to risk management processes.

Not surprisingly, 96 per cent of respondents perceived risk management as a subset of good governance.

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MEDIA RELEASE

About Chartered Secretaries Australia

Chartered Secretaries Australia (CSA) is the independent leader in governance, risk and compliance. As the peak professional body delivering accredited education and the most practical and authoritative training and information in the field, we are focused on improving organisational performance and transparency.

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